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ECONOMIC INDICATORS

COUNTY PROFILES

HAWAII COUNTY IN 1989

The Hawaii County economy experienced double-digit growth in 1988. Gross business receipts, a measure of overall business activity, rose by 12 percent to $2.1 billion.

Economic growth is expected to continue for 1989. Through July, gross business receipts rose by 11 percent to $1.4 billion. The leading sectors are tourism and construction. However, the agriculture industry is expected to be mixed.

Many businesses are having difficulties finding qualified labor; however, the labor shortage is not as severe as on Maui and has not affected all industries. While the labor force grew by 3,500 persons through July, employment increased by 3,100 employed persons, resulting in the unemployment rate increasing to 5.3 percent.

The Big Island is rich in natural resources. Ocean Thermal Energy Conversion (OTEC) and aquaculture are developing at Keahole. The first commercial output of geothermal energy may be available as early as next year.

Visitor Industry

Tourism had a banner year in 1988. Visitor expenditures rose by 22 percent to $464 million, double the previous year's growth rate even though the westbound visitor count rose only marginally to 787,860 visitors. The visitor count is expected to be stronger this year, with figures through July ahead by 27 percent to 556,720 visitors.

Despite the rise in the visitor numbers, the industry experienced low hotel occupancy rates last year. The occupancy rate slipped from 61 percent for 1987 to 56 percent for 1988. This decrease was due to the 20 percent rise in the hotel room inventory, to 8,823 units. The occupancy rate through July, 1989, is at 62 percent, up six percentage points from last year.

Visitor industry activity was most vigorous along the Kohala Coast. The Hyatt Regency Waikoloa will celebrate its first anniversary in October. Group bookings have been a solid business. The hotel is staffed with 2,000 employees.

The Mauna Kea Beach Hotel is experiencing even occupancy from 1988. There are $2.5 million in capital improvement projects scheduled for completion by mid-1990. The restaurant, rooms, and the swimming pool will be remodeled.

Construction on Mauna Kea Properties' 489-acre South Kohala Resort started in August, 1989, and completion is expected in 1991. The project includes a 350-room hotel, single- and multi-family residential units, tennis complex, and an 18-hole golf course designed by Arnold Palmer which is expected to open six months before the hotel opens. The development will be a planned resort community that is complementary to the Mauna Kea Beach Hotel. The resort is expected to hire 600 employees.

At the Mauna Lani Resort, the Mauna Lani Bay Hotel expects to finish 1989 with a higher occupancy rate. Construction of the 550-room Ritz-Carlton Mauna Lani is expected to be completed by fall, 1990.

At Azabu Kona Resort, the project to turn the Kona Lagoon Hotel into a 309-room, all suite hotel is in the permit process. Construction is scheduled to begin by May, 1990, and last 12 to 18 months. The Keauhou Beach Hotel is spending $2 million for renovations of its public area.

Kaupulehu Development, a subsidiary of Barnwell Industries, Inc. is developing the Kaupulehu Resort. Construction is expected to start soon on a 358-room Four Seasons Hotel. Construction of a 600-room Princess Hotel is expected to start nine months later. The Four Seasons Hotel is scheduled for a fall, 1991 opening. Each hotel will have an 18-hole golf course.

The $1.3 million Kona County Fair is a new visitor attraction at Captain Cook. Current attraction is the 1,400 square feet visitor center. Under construction is an agridome for agriculture tours.

The Hawaii Visitors Bureau (HVB), Hawaii County, airlines, and businesses in tourism, have been promoting the Big Island through trade shows. This year, the HVB promoted in Olympia, Washington; Oakland, San Francisco, and San Diego. Also, a new organization, the Big Island Group (BIG), mainly consisting of businesses in Hawaii County, is planning to market the island as a premier visitor destination.

Construction

The construction industry was one of the leaders in 1988. Construction put-in-place increased by 30 percent to $163 million. Through July, 1989, construction put-in-place was ahead by a slower 11 percent, to $109 million.

Construction activity is pointed upward. The value of private permits increased by 111 percent to $214 million through July, 1989. Public contracts awarded, however, are down by 66 percent to $12 million.

The Waikoloa Land Company has a variety of projects under construction or in the permit process. The 176-unit Golf Villas are under construction. Construction of the 160-unit Waikoloa Vistas will begin in 1990. The Waikoloa Hills Condominium is in the second phase of construction.

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The 71,000 square feet Waikoloa Highlands Center is also under construction. Construction of the second phase of Sunset Ridge is expected to be completed by mid-1990. Before the Land Use Commission is a proposal to designate the 853 acres between King's Trail and Queen Kaahumanu Highway as "urban."

In Keaau, the first phase of 19 lots of the W.H. Shipman Industrial Park has been sold out. Development of the 50-acre second phase began this year and will be completed in 1990. The third phase is being planned.

The Queen Liliuokalani Trust has asked the Land Use Commission to change the land use designation of 1,135 acres in Kailua-Kona from conservation and agricultural to urban. Affordable housing, commercial developments, and a college campus are being proposed.

The county has released a proposed master plan for the area between Kailua-Kona and the Keahole Airport and from the ocean to Mamalahoa Highway. The county planning commission will hold hearings and submit its recommendation to the County Council.

Increasing real estate resale prices show a continued housing shortage on the Big Island. The average price of a single-family home and condominium increased by 42 and 31 percent through July, 1989, to $182,189 and $166,741, respectively.

The state and county have embarked on major housing projects at Kealakehe and Waikoloa, respectively. A master plan for the 1,500-acre, 3,900 home Kealakehe planned community is scheduled to be completed next February. The first phase of approximately 400 homes is expected to be built on 90 acres between April, 1990 and August, 1991. Sixty percent of all homes will be affordable.

The County's Waikoloa project covers 300 acres. The first phase will cover 56 acres of which the first increment will have 80 units. The County is hoping to break ground by the end of the year.

Sugar

Sugar production decreased by eight percent in 1988. Production is expected to again decline in 1989 due to the extremely rainy weather which lowers sugar yields.

Hamakua Sugar is restructuring its operation in order to reduce its debt to a more manageable level. Land along Waipio Valley and in Papaaloa will be sold. This reduction in acreage will cut sugar production to 110,000 tons. It allows for a five-day instead of a seven-day workweek, allowing production to catch up if it falls behind schedule. This will also mean the end to hauling cane over long distances, which has been costly. Hamakua, however, will remain the second largest plantation in the state. In a further effort to reduce costs, Hamakua is increasing power generation by installing six, one-megawatt diesel generators. They will be used when bagasse supply is low. Savings could be around $1 million a year.

The Hilo Coast Processing Company (HCPC) has forcasted a drop in production to 72,449 tons for 1989. With improved weather, next year's crop is expected to be better. The state approved an $8.5 million emergency loan which will allow HCPC to purchase the power generation unit it now leases. This will result in cost savings of $1 million annually. HCPC is working with the Hawaiian Sugar Planters' Association and the University of Toronto to develop paper pulp from bagasse.

Ka'u Agribusiness Co., Inc. will take 4,200 acres in the Naalehu section out of sugar over the next four years. Sugar production will drop to 50,000 tons annually. Ka'u has planted 30 acres of the surplus land in oranges.

Diversified Agriculture

The value of diversified agricultural products increased by 14 percent to $134 million for 1988. A county survey showed residents favored diversified agriculture as the industry that should be promoted. But in the past few years, the labor shortage, bacteria, and disease have affected agriculture by reducing production substantially.

Coffee production for 1988 increased by 11 percent to two million pounds, valued at $7 million. Harvesting coffee is a problem for some farmers due to the labor shortage. Kona Kai Farms recently supplemented its work force by recruiting eight Mexican workers from California. Their goal is to have 50 imported workers for peak season harvesting.

Hawaii Cocoa harvested its first crop in November, 1988. It plans to expand cocoa production through its independent growers. Growers will be provided seedlings. Hawaii Cocoa will purchase the cocoa at a guaranteed price above the world price. Hershey Corporation is working on a line of chocolate products to be manufactured in Hawaii.

The value of the state's macadamia nut production, almost entirely on the Big Island, increased by 14 percent to $41 million in 1988. MacFarms of Hawaii, Inc. has 3,200 acres of mature trees and another 650 acres will be brought back into production through irrigation. The new factory is dry roasting the nuts, and is getting good public acceptance.

At Mauna Loa Macadamia Nut Processing Co., processing volume increased by 14 percent in 1988. Factory production is expected to increase by another nine percent in 1989. The Asian market has absorbed most of the increased production.

Total livestock production increased by two percent in 1988, to 26 million pounds, dressed weight. The heavy rains have been an asset to ranching, by keeping the pastures greener, and helping the calves fatten faster. Parker Ranch reported strong prices for their cattle last year. But rising feed prices narrowed profit margins. The crossbreeding program, started in 1982, combined with lush pastures to produce heavier animals. Also, the intensive grazing program contributed to the increased production.

Kahua Ranch has 10,000 heads of cattle and 1,700 to 1,800 heads of sheep in its operation. Kahua is looking into the culture of hydroponic vegetables as well as a bed and breakfast operation.

Hamakua Sugar's three-year old cattle operation has turned for the better. Better accounting and tracking systems are in place to monitor all phases of the operation, from the initial purchase of the calves to slaughtering.

Outshipments of anthuriums are 27 percent lower through June, 1989, due to the blight. After declaring the blight a disaster, $3.5 million in federal funds were made available to aid growers. Also, over $500,000 were made available in federal and state funds for blight research. Currently, the only method of controlling the disease is through sanitation. Research is looking for a resistant gene to resurrect this important industry.

Big Island fruit sales increased by 24 percent in 1988 to $16 million. Papaya sales increased by 15 percent to $12 million. Production is forecasted to increase by 25 percent to 71 million pounds for 1989. Amfac Tropical Fruits is looking into a dry heat processing plant to replace the double-dip hot water treatment plant. Two other packers are also studying the dry heat process.

Banana sales rose by 63 percent in 1988 to $3 million. Keaau Banana Plantation Inc., the island's leading produc-

er, expects to add 50 acres of plantings to its 200-acre plantation. In addition, the plantation is moving into the specialty market, offering different varieties of bananas.

Avocado production, statewide, increased by 33 percent in 1988 to 1.2 million pounds. Ataraxia Farms is prepared to ship avocados to California as soon as clearance by the U.S. Department of Agriculture is received. Big Island's guava production increased by 24 percent to 6.5 million pounds.

Vegetable and melon production decreased by 10 percent in 1988, to 33 million pounds. However, the reduced supply raised the value of vegetables and melons sufficiently to boost revenues by eight percent to $13 million.

An East Hawaii Enterprise Center in Hilo is being planned to assist small business development. The majority of the businesses expected to receive help are in food processing.

High Technology

Development continues at the Mauna Kea astronomy complex. The telescope for the W.M. Keck Observatory is expected to be operational by 1991. Next to the Keck telescope, the Japan Science Foundation is planning to build a $45 million telescope as soon as funds are made available by the Japanese government.

Infrastructure improvements are also under way. To cost $12 million, the road from the summit is being paved half the distance to the Hale Pohaku rest station at the 9,000-foot elevation. Also, a 20-person dormitory will be built at Hale Pohaku at a cost of $750,000, increasing the visitor capacity from 52 to 72 persons. Currently, there are 160 to 170 employees in this growing industry. With the addition of the Japanese telescope and the expansion of other observatory staff areas, employment is expected to grow to 260 persons.

At Keahole, the newly dedicated 547-acre Hawaii Ocean Science and Technology (HOST) Park hopes to attract businesses that require cold ocean water or are ocean related. Four companies have expressed interest in locating there. Seaculture Inc. hopes to lease 50 acres with an option on another 100 acres on which to raise shrimps and oysters. Aquaculture Enterprise needs 20 acres with an option on another 20 acres on which to raise lobsters. Ocean Farms of Hawaii wants six acres for a salmon processing plant. Hawaii Pearl Cultures, Inc. hopes to lease 20 acres to raise cultured pearls.

The Natural Energy Laboratory of Hawaii (NELH), has been experimenting for over a decade with two processes to generate power using the difference in temperatures of ocean water. But aquaculture, which uses the cold ocean water, has developed much faster than power generation. Ocean Farms of Hawaii started with the farming of abalone, but has diversified to salmon, oysters, and sea urchins.

Cyanotech is experimenting with an algae that produces Omega 3, a nutrient now extracted from fish. Royal Hawaiian Seafoods is expanding by 0.5 acres. Eleele, a green seaweed, is an addition to its edible seaweed production. Aquaculture Enterprise is planning to grow Maine lobsters.

The Electric Power Research Institute is into its second year of a five-year project studying how to recover carbon dioxide using algae as scrubbers for smoke stack gases. The micro algae could hopefully be used as fuel for the plants.

NELH has three prospective tenants. Noraqua is involved in mahimahi production, Dewani Lauro Marine Product Development Corp. plans to grow edible seaweed, and Yonezawa Suisan plans to raise Japanese flounder.

Future developments include a possible merger of HOST Park and NELH. HOST Park is under the Department of Business and Economic Development, and NELH is under the University of Hawaii Research Corp. A merger would allow HOST Park to be the commercial arm and NELH, the research arm.

Work on the Hawaii proposed rocket launching facility continues. The master plan is expected to be available by early next year. The draft of the environmental impact statement is expected in mid-1990.

Energy

Sales by Hawaii Electric Light Company (HELCO) increased by seven percent to 613 million kilowatt hours in 1988. Sales are forecasted to increase by nine and five percent for 1989 and 1990, respectively. The completion of the Ritz-Carlton Hotel and the reopening of the Kona Lagoon Hotel will create major load demands in 1990. The opening of a shopping center in Waimea will also be a major load generator.

To meet increasing demands, HELCO is adding generation and transmission capabilities. A 16-megawatt generator was built at Keahole and has just gone into commercial use. HELCO acquired the Puna Sugar power plant and the surrounding land, and will be able to expand generating capacity. At a cost of $2 million, the transmission line from Naalehu to South Point is being rebuilt to increase reliability. HELCO built the Honomalino substation to help the irrigation pump station at MacFarms of Hawaii. Construction of a substation is underway in Kona.

HELCO has signed a contract with Puna Geothermal Venture for 25 megawatts of geothermal power, which is expected to be on-line by 1990. Transmission line capacity will be sufficient to carry the first increment of geothermal power produced, but additional capacity will be needed by mid-1990.

Puna Geothermal Venture is taking steps to respond to two geothermal markets, one for local use and the other for export to Oahu. Initial plans call for generating power in 1990 for Big Island use and to have 25 megawatts of power by early 1991. This 25-megawatt plant is expected to displace 20 million barrels of oil per year.

True Geothermal Energy Co. will be ready to drill near the East Rift Zone above Pahoa as soon as it receives State Health Department clearance. It has Land Use Commission authority to develop up to 100 megawatts of generating capacity. True Geothermal will drill a series of wells to determine steam capacity. If the resource is there, it plans to build a 10 to 12 megawatt generating plant to serve Big Island demand. They plan to address the export market later.

Ocean Thermal Energy Conversion (OTEC) research and development are continuing at NELH. The Department of Energy is helping fund the construction of a prototype net 45-kilowatt open-cycle plant. Energy is expected to be produced by 1992.

Also, the Aluminum Company of Canada (ALCAN) is testing aluminum alloy for OTEC heat exchangers. ALCAN is hoping to build a net 500-kilowatt closed-cycle power plant and have an integrated aquaculture business using the runoff cold seawater.

Infrastructure

The Big Island's infrastructure has become inadequate to the demands of continuing development. The county's water department has more funds now, and it will develop water source capabilities to meet West Hawaii's rapidly growing needs. Three wells will be drilled in North Kona

this year, which are expected to service 3,000 homes within two years. Next year, an additional two wells are expected to be drilled, also in North Kona.

The Kohala water pipeline project, which is still waiting for financing, is designed to handle 18 million gallons per day. The pipeline will be able to serve the needs of the South Kohala area for the next 30 plus years if the capacity is boosted by pumping. Total cost is estimated at $48 million. Waimea expects to receive $4.5 million for water development. A third 50-million gallon reservoir was completed above Waimea the past year.

The county has two major sewage treatment projects under construction. Preliminary planning and design for the Hilo sewer treatment plant have been completed. Phase I will consist of constructing an access road, pumping station, and part of the treatment plant. Phase II will consist of constructing the rest of the treatment plant and the transmission line to make it operational. Expected completion is by 1992.

Expansion of the Kona sewage treatment plant from 1.5 to 2.4 million gallons is expected to start by the end of 1989. This project is just one of 13 incremental projects that will create a sewer system extending along Alii Drive to the treatment plant in Kealakehe. Bids to construct the pump station and transmission pipe, which will make the plant operational, was expected by the end of 1989. Once the pump station and transmission pipe are constructed, the other projects can take place. All 13 phases are expected to be completed by 1997.

The environmental impact statement for the $12-million, West Hawaii Landfill at Puuanahulu has been finalized. Bidding will commence on March, 1990, and the landfill should be operational by first quarter, 1991.

The fuel tax project has generated an additional $1.6 to $1.8 million for road recovery and repair.

Conclusion

The outlook for Hawaii County is optimistic. Tourism and the construction industry are leading the economic expansion. Sugar remains mixed, however, the prospects for diversified agriculture are promising. High technology has the potential to be a growth industry. So far, the labor shortage has not severely affected businesses, and infrastructure inadequacies are being addressed. Hawaii County is beginning to see its potential materialize.

Hawaii County Statistics

	Unit	Period	1984	1985	1986	1987	1988	Jan.-July 1989	% change Jan.-July 1989/1988	% change Annual 1988/1987
Population, Resident	number	July 1	107,000	109,400	111,200	114,800	117,500	n.a.	n.a.	2.4
Civilian Labor Force	number	mo. avg.	48,650	50,400	51,300	53,700	54,700	57,100	6.4	1.9
Employment	number	mo. avg.	44,900	46,150	47,500	50,750	51,950	54,100	6.1	2.4
Unemployment	number	mo. avg.	3,750	4,250	3,850	2,950	2,700	3,050	15.1	−8.5
Unemployment Rate	percent	mo. avg.	7.7	8.5	7.5	5.5	5.0	5.3	8.2	−9.1
Total Job Count[1]	number	mo. avg.	41,000	42,400	43,300	45,600	47,650	50,300	8.4	4.5
Gross Business Receipts	mil. $	total	1,569.8	1,594.5	1,642.4	1,861.6	2,081.8	1,375.1	10.6	11.8
State Tax Collections[2]	thous. $	total	73,867	79,286	92,073	105,468	113,421	75,438	18.1	7.5
Visitor Expenditures	mil. $	total	248.9	285.9	343.8	381.8	464.2	n.a.	n.a.	21.6
Estimated Westbound Visitors	thous.	total	760.9	697.4	786.9	782.6	787.9	556.7	26.8	0.7
Hotel Inventory (February)	number	February	7,149	7,511	7,260	7,328	8,823	8,171[3]	−7.4[3]	20.4
Hotel Occupancy	percent	mo. avg.	55.6	57.6	62.2	60.8	56.4	61.9	10.5	−7.2
Construction Put In Place	thous. $	total	80,465	81,102	95,769	125,310	162,756	108,868	10.6	29.9
Private Permits	thous. $	total	90,350	121,439	231,500	142,780	181,300	213,864	111.1	27.0
Residential Permits	thous. $	total	64,371	83,554	69,106	104,002	134,373	118,655	53.4	29.2
Non-Residential Permits	thous. $	total	25,979	37,885	162,394	38,778	46,927	95,009	298.3	21.0
Public Contracts Awarded	thous. $	total	23,057	18,520	37,716	31,339	69,568	11,952	−66.2	122.0
Real Estate Resales										
Single Family	number	total	325	416	565	642	806	526	23.8	25.5
Average Price	dollars	cum. avg.	89,036	93,775	102,141	114,838	138,734	182,189	42.3	20.8
Condominium	number	total	95	93	142	219	273	229	77.5	24.7
Average Price	dollars	cum. avg.	91,019	97,718	112,546	123,558	123,905	166,741	30.7	0.3
Sugar Production, raw sugar 96°	thous. tons	total	391	319	329	291	267	125	−16.5	−8.4
Diversified Crops and Livestock	thous. $	total	91,216	101,845	113,858	116,828	133,746	n.a.	n.a.	14.5
Diversified Crops[4]	thous. $	total	67,983	79,723	91,876	90,239	104,719	n.a.	n.a.	16.0
Livestock	thous. $	total	23,233	22,122	21,982	26,589	29,027	n.a.	n.a.	9.2

[1] *Refers to number of jobs rather than number of persons employed. Persons with more than one job are counted more than once.*

[2] *Totals do not include real property taxes.*

[3] *Compares February, 1989 to February, 1988.*

[4] *Total crops excluding sugar.*

n.a. = not available

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ECONOMIC INDICATORS

COUNTY PROFILES

Kauai County in 1989

Seven years after Hurricane Iwa's devastation, Kauai finds itself in the midst of an economic boom. In 1989, high levels of tourism and construction activity have fueled growth in the rest of the county economy. Gross business receipts, a measure of general economic activity, however, does not fully reflect the recent growth on Kauai; the figure for 1988 was unchanged from the previous year at $777 million. As of August 1989, gross business receipts were at $546 million, five percent ahead of 1988.

Other indicators point to a more active county economy in 1988 and 1989. The population on Kauai grew by three percent in 1988, twice as fast as the overall state population, to 49,300 people. In 1988, Kauai's nine percent increase in jobs was the greatest in the state. Through the third quarter of 1989, the job count on Kauai increased by another five percent to 25,500 positions. With the civilian labor force growing by three percent during that time, the unemployment rate fell to 3.3 percent.

While such economic growth has increased the opportunities for Kauai's people, it has also taxed the county's resources. Low unemployment is making it difficult for businesses to find needed workers. Kauai's infrastructure system is reaching its holding capacity, in some cases sooner than expected. With population growth and a limited supply of homes pushing prices up significantly, affordable housing has all but disappeared. Alleviating these shortages will be essential to sustaining economic growth in the years ahead.

VISITOR INDUSTRY

Kauai's visitor industry had a mixed year in 1988. Visitor expenditures were up by 23 percent to $712 million, but westbound visitor count increased by only two percent to 1,055,540 visitors. Hotel occupancy was down from 74 percent in 1987 to 68 percent in 1988.

In 1989, the performance of the visitor industry improved tremendously. No expenditure data is available, but westbound visitor count, through September, was up by 18 percent over 1988 to 918,530 visitors with Kauai attracting more visitors from the east coast and Europe. The number of visits by the Japanese have risen, but the increase has not been dramatic. Kauai will host more than one million visitors for the fourth straight year in 1989.

Hotels around the island have flourished because of the increased number of visitors. Through September, the Poipu resort area, with its 2,318 visitor units, had the highest occupancy of the Neighbor Islands at 79 percent, up from 73 percent in 1988. The Westin Kauai in the Kauai Lagoons resort reports business is 20 to 30 percent better than last year. Hotels on Kauai's Coconut Coast, which is the area from Lihue to Kapaa, had a combined occupancy rate of 69 percent, up from 65 percent in 1988. The Waimea Plantation Cottages enjoyed 95 percent occupancy through the first quarter and is expecting its best year ever in 1989.

As of February 1989, Kauai's visitor plant inventory stood at 7,241 units, up by one percent over 1988. Several hotel and condominium projects will soon be adding to that total. The major ongoing project is the construction of the Hyatt Regency Kauai at Poipu. The $200-million, 605-unit hotel is scheduled to open in September 1990. It will be staffed by 662 workers on opening day and have about 900 employees when fully operational. The hotel is presently being promoted in the group and convention markets.

Other projects will also be adding to the hotel inventory in the Poipu area. Six months after the Hyatt Regency Kauai opens, Landmark Suite's 220-unit Keoneloa Bay Villas condominium project is scheduled for completion. Construction should begin early next year. Metropolitan Mortgage & Securities Co. is in the permitting process to add 60 units to the existing 84 units at its Lawai Beach Resort.

On Kauai's north shore, Qintex has stopped its massive renovation of the Sheraton Mirage Princeville Hotel due to a lack of permanent financing. Qintex was in the process of reducing the number of rooms from 300 to 252 larger units, enlarging the pool, and putting in a new lobby that would showcase the area's natural beauty. In addition, work on a new clubhouse for the Prince Golf Course has also been halted. Given Qintex's present financial difficulties, the future of the resort is uncertain.

Smaller renovations and expansions are occurring on Kauai's west and east shores. The Waimea Plantation Cottages added 10 plantation-style cottages to their inventory and may have another four cottages ready for occupancy by the end of the year. In addition, seven of the original 18 cottages are being renovated. Kauai's Coconut Coast Visitor Association reports a majority of its 57 members have renovated or are presently renovating their properties.

This year, for the first time, a promotion committee was formed to coordinate the marketing of Kauai as a visitor destination. The county, the Poipu Beach Resort Association, the Princeville Resort Association, Kauai's Coconut Coast Visitor Association, the Hawaii Visitors

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Bureau Kauai Chapter, the Kauai Hotel Association, and the Kauai Products Council have agreed to pool their resources, at least until 1991, in a joint effort to promote the island of Kauai. The theme of the coordinated print campaign is "Life on Kauai;" it focuses on Kauai's natural beauty and culture.

CONSTRUCTION

Kauai's construction industry is going through its fifth year of double-digit growth in 1989. After 22-percent growth in 1988, the value of construction activity, through August 1989, came to $43 million, up by 19 percent over the same period last year. This high rate of activity is straining Kauai's available resources. Labor shortages in the trades, such as sheet metal workers and plumbers, have forced some contractors to import labor from as far away as Alaska and Texas. Materials, such as gravel used in concrete and asphalt, are running low on Kauai. They are causing delays and raising costs. With several major hotel and commercial projects underway, it appears that these shortages will remain critical.

Private permit data indicate that construction activity on Kauai will continue to grow. The value of total permits authorized, through September, came to $136 million, a 47 percent increase over 1988's nine month total. Kauai's housing market has become increasingly tight with single-family home prices rising 41 percent in 1988, and by another nine percent through September of this year to $235,385. Condominium prices have also shot up this year by 27 percent to $160,928. Responding to the need for housing, residential permits alone increased by 54 percent to $102 million. Housing projects by individual developers in Puhi, Hanamaulu, and Hanapepe Heights, which will add another 828 homes to the market, are under review by the county. Grove Farm Co. is also in the process of getting its huge Puhi development approved. Included in the development plan are 1,690 single- and multi-family homes, 60 percent of which will be affordable. The first phase of the project should be under construction within a year once final approval is given. This renewed focus on housing should bring some welcome relief to Kauai's tight residential market.

Growth in the value of nonresidential permits authorized was not far behind that of residential permits. The total through September was up by 30 percent over 1988 at $34 million. Hotel construction, shopping center development, and golf course projects will keep Kauai builders busy for the next 18 to 24 months.

Alexander & Baldwin, Inc. has yet to begin on its planned residential community in Poipu. All the necessary government approvals have been obtained for the 219 acres in Phase I. In October, A & B also received the necessary zoning change for Phase II of its project. The conceptual plan envisions 1,900 single-family units, 400 low-density multi-family units, commercial space, a golf course, a 100-slip marina, and a bypass road all on 800 acres of land.

SUGAR

Due to poor weather conditions, which hindered harvest operations, Kauai's sugar plantations suffered another year of reduced production in 1988. Higher-than-normal levels of rainfall reduced total production by one percent to 227,832 tons. Another year of lower production is expected in 1989. Lihue Plantation had to carry over several of its 1988 fields into 1989, because of the wet weather, and is expecting to harvest 58,000 tons this year, an 11 percent decrease. The plantation's yield is also expected to drop to eight tons of sugar per acre (TSA) from nine TSA last year. Kekaha Sugar Company had 200 percent more rain than normal this year and started harvesting its crop a month later than usual. Production is expected to be around 50,500 tons, four percent less than last year. Yields are also expected to decrease to 13 TSA from 14 TSA a year ago. Olokele Sugar Company, with some left-over 1988 acreage, forecasts a harvest of 31,500 tons for 1989, down by two percent from the previous year. Their yield is also expected to go down from 16 TSA to 13 TSA. McBryde Sugar Company's production in 1989 is expected to be 54,630 tons, a decrease of six percent. Their yields will be about the same as last year at 10 TSA. Only Gay & Robinson is expecting an increase over last year with a forecasted production of 20,900 tons, seven percent better than last year. The yield will be down slightly from 15.9 TSA to 15.6 TSA, but more acreage will be harvested.

Besides suffering from excess rain, the sugar plantations are facing a shortage of labor. Unable to compete with less strenuous occupations, Kauai's plantations have been the hardest hit by the county's tight labor market. Lihue Plantation is about 60 workers short of its optimum employment level. Kekaha Sugar Company has stopped reducing its workforce and is struggling to hang on to the workers they have. McBryde Sugar Company reports having difficulty filling positions even when offering $6.00 an hour to high school students. The plantations are considering everything to alleviate the labor situation, from importation of foreign workers to changing operations to accommodate fewer workers. As the sugar industry enters the 1990s, finding adequate labor will continue to be a major problem.

DIVERSIFIED AGRICULTURE

Diversified agriculture on Kauai had another year of mixed results in 1988. Last year's total value came to $13 million, up by five percent from 1987. Diversified crops made up $8 million of the total, up by 13 percent over 1987, while livestock value fell by six percent to $5 million.

Guava continues to be one of Kauai's successful diversified crops in 1989. Kilauea Agronomics increased its output of guava puree by nine percent to 8.8 million pounds in 1988. Rainy weather in 1989 delayed the ripening of this year's crop by six to eight weeks and a reduced production of eight million pounds of puree is expected. The plantation is harvesting 330 acres of mature trees with 150 acres still in the growing stage.

Most of the guava produced by Kilauea Agronomics goes to Ocean Spray for their Mauna Lai juice blend which is marketed nationwide. The blend has done well with sales increasing to $40 million in three years. Kilauea Agronomics is hopeful that sales will continue to be good in 1990.

Like the sugar plantations, Kilauea Agronomics is feeling the effects of Kauai's tight labor market and is adapting. Unable to find enough workers locally, Kilauea Agronomics has supplemented its workforce with 24 Micronesian harvesters from the islands of Pohnpei and Kosrae. Their contracts started in September and go to the end of the year. Kilauea Agronomics has also increased the efficiency of its factory and is testing a mechanical harvestor to further reduce their labor requirements.

Pioneer Hi-Bred's seed corn operation has also seen tremendous growth. The drought which hit the mainland U.S. last year, depleted Pioneer's corn reserves. To help replenish their supply, Pioneer was farming up to 300 acres this year. While this is a temporary increase, the farm's normal acreage level will be upped to about 150 acres in the future. In addition to its corn operation,

Pioneer is growing soybeans, sunflowers, and spring wheat. To staff its operation adequately during peak periods, crews of about 25 workers from Pioneer operations on the mainland have been coming to Kauai for two-week shifts.

Kauai's papaya growers, without a treatment and packaging plant, are reducing their output. In 1988, papaya production came to 1.3 million pounds, down by 37 percent. Through September 1989, production was down another 29 percent at 805,000 pounds. The Kauai Sunshine Cooperative, which is made up of 10 growers from Hanamaulu to Kilauea, is talking with foreign investors about financing a new treatment and packaging plant. Steady growth in the industry will not occur until Kauai gets such a plant.

Along with Kauai's existing commercial crops, several other diversified agriculture ventures are nearing commercial production. Macadamia nuts is one such crop. McBryde Sugar Company, with 585 acres in macadamia nuts, harvested its first crop this year. Less than 40,000 pounds (wet-in-shell) of nuts were produced, but, by the year 2000, production is expected to increase to four million pounds.

McBryde is also very optimistic about its coffee operation. The plantation is testing eight varieties of coffee, and will commercially grow the two or three most promising varieties. Last year, the plantation harvested four of its original 420 acres. The coffee compared favorably with Kona coffee in taste tests and was of excellent quality. McBryde will have about 1,200 acres in coffee by year end, and plans to have 5,000 acres in coffee by 1991. McBryde has entered into a joint venture with Hills Brothers for its coffee. The plantation will be responsible for growing and preparing the coffee for roasting. Hills Brothers will roast, grind, and market the final product. The final product will be 100 percent Kauai coffee and should be available next spring.

In October, the Monsanto Company planted a new insect- and herbicide-resistant cotton plant on a two-acre test field west of Kekaha. In six months, these cotton plants will produce seeds to be used in plantings on the mainland.

MILITARY

The Pacific Missile Range Facility (PMRF), continues to be a major factor in Kauai's economy. As Kauai's third largest employer, it provides about 650 military and civilian personnel with jobs. Its operating budget for the present fiscal year is $39 million, a three percent increase over the previous fiscal year. Construction and renovation projects in 1989 totalled $13 million, including a $2.5 million range operation control center and a $5.6 million aircraft maintenance facility. The base attracted about 8,600 visitors for training in 1989. Staying from two days to several months, these visitors contributed between $7.2 million and $9 million to the local economy.

Up at Kokee, the Kokee Tracking Station closed in October after 30 years in operation. Its function was taken over by three satellites it helped put into orbit. Last year, the station had a $4.5 million budget and employed more than 100 people. The vacated facilities will be split between the Division of State Parks and PMRF. PMRF will have about 20 personnel stationed at the site.

RETAIL TRADE

Kauai's retail merchants are benefitting from the county's present economic boom. A low unemployment rate, population growth, and a rise in disposable income have pushed retail sales up by 11 percent to $218 million as of this past August.

Kukui Grove Center, Kauai's largest shopping center, reports that sales through July were up by 14 percent over last year with the center's anchor tenants doing well. The center, even with less than one percent vacancy, is looking for specialty shops as future tenants to widen the center's merchandise selection.

Coconut Plantation Marketplace, in Waipouli, also is enjoying strong growth in sales. Catering mostly to visitors, sales at the Marketplace were up by nine percent in 1988 and up by another five percent as of July of this year. Sales are expected to be strong for the remainder of the year. With the tenant mix changing to more upscale specialty shops, the Marketplace is 99 percent occupied.

Shopping center development on Kauai has picked up in the last two years, spurred on by the brisk activity in the retail sector. Kukui Grove Shopping Center is looking into a 150,000-square foot expansion that will increase the size of the center by 50 percent. Plans should be completed next year. On 54 acres of land near the Kukui Grove Shopping Center, construction of the Kukui Grove Village West has begun. A commercial complex will be built on half of the land with a park, driving range, and bowling alley on the other half. Construction of the $8.5-million Kauai Village in Waipouli is nearing completion with the opening scheduled for December. Smaller shopping center projects around Kauai include the recently completed 21,000-square foot Anchor Cove Shopping Center in Nawiliwili, renovations to the 17,000-square foot Lihue Town Center, and the openings of the 20,000-square foot Artisans' Landing and the 25,000-square foot Kauai Lagoons Shopping Village.

INFRASTRUCTURE

Unexpected high levels of demand are straining Kauai's infrastructure. Sewers, solid waste dumps, and roads are reaching their limits sooner than anticipated due, in part, to the county's recent economic expansion. The county is aware of the impending shortages, but without federal funding from the Environmental Protection Agency and little state help, it is having a difficult time obtaining the funds to enlarge its infrastructure system.

For the first time in the history of Kauai county, several sewage treatment plants are reaching capacity. The most critical station is the Lihue sewage treatment plant. Designed to handle up to 1.5 million gallons of wastewater per day (gpd), the Lihue plant is now considered at capacity with its present load of 1.2 million gpd. The station is expandable to 4.5 million gpd, but it will take two to three years to complete the expansion. Construction must begin soon or the development of several residential and resort projects in the Lihue and Hanamaulu area will not be permitted. Another critical treatment plant is the one servicing the Eleele-Hanapepe area. Present use of the 350,000-gpd station is at 220,000 gpd. It needs to be expanded to 700,000 to 800,000 gpd in the next three to five years to handle the area's planned development.

Kauai's solid waste disposal sites are also being strained during this period of economic growth. Lihue's Halehaka Landfill is nearly full, necessitating the construction of a transfer station by 1991. Once this landfill is closed, only the Kekaha Landfill will be left to accept solid waste from as far away as Hanalei and Kapaa. The county is looking into several options to reduce Kauai's trash flow. These options include composting organic materials, recycling, and the production of refuse derived fuel. Such alternatives could reduce the flow of garbage by 60 percent within five years.

Traffic congestion is a more common phenomenon on Kauai with the density of cars up from 90 cars per mile of road in 1980 to 113 cars in 1987. Lihue, Kapaa, and Waipouli will see worsening congestion in the years to come. The state is concentrating its efforts in those areas by installing traffic signals for better traffic control and planning a $3-million realignment of Nawiliwili Road next year. The realignment will make it easier to bypass Lihue town. Another bypass road is needed in Koloa. The state and county have allocated $1.2 million for the project and Alexander & Baldwin has contributed another $250,000, but the alignment of the road has yet to be chosen.

Kauai's power needs are also rapidly using up the available capacity. Kauai Electric records show electricity sales grew by 14 percent in 1988 to 308,094 megawatt-hours and they will grow by another five percent in 1989 to 322,326 megawatt-hours. Princeville is the fastest growing area with sales increasing by more than eight percent annually since 1982. Sugar plantations produced about 120,000 megawatt-hours of electricity in 1988 and will be producing about the same amount in 1989. To accommodate future demand, the utility is installing two 7.8 megawatt diesel generators at a cost of $14 million.

The county's water system is adequate with islandwide capacity well above present demand. The Department of Water has about $12 million worth of projects under construction or in the planning stages in 1989. These projects will allow the system to accommodate further planned development.

CONCLUSION

Kauai has experienced robust growth in 1989 creating more opportunities for its people. With strong performances in tourism, construction, retailing, and diversified agriculture, the Kauai economy will end the 1980s with a bang.

Unfortunately, at this rapid pace of development, it will also end the decade with growing concerns over the need for affordable housing, infrastructure, and labor. The county government is aware of these needs and with careful planning will be able to avoid the possible bottlenecks to continued economic growth. With wise planning and the economy's present momentum, Kauai can look forward to a prosperous start of the next decade.

Kauai County Statistics

	Unit	Period	1984	1985	1986	1987	1988	Jan.-Sept. 1989	% change Jan.-Sept. 1989/1988	% change Annual 1988//1987
Population, Resident	number	July 1	44,100	45,300	46,200	47,900	49,300	n.a.	n.a.	2.9
Civilian Labor Force	number	mo. avg.	21,300	22,050	23,400	25,000	26,200	26,900	2.9	4.8
Employment	number	mo. avg.	19,800	20,550	22,000	23,850	25,250	26,000	3.4	5.9
Unemployment	number	mo. avg.	1,500	1,500	1,400	1,150	950	900	−10.0	−17.4
Unemployment Rate	percent	mo. avg.	7.0	6.7	5.9	4.6	3.7	3.3	−13.2	−19.6
Total Job Count[1]	number	mo. avg.	18,900	19,900	21,100	22,450	24,450	25,500	5.2	8.9
Gross Business Receipts	mil. $	total	548.1	599.0	739.2	776.9	777.1	546.0*	4.8*	0.0
State Tax Collections[2]	thous. $	total	28,261	33,793	43,420	47,464	55,252	43,593	5.4	16.4
Visitor Expenditures	mil. $	total	359.4	407.9	516.9	580.1	712.1	n.a.	n.a.	22.8
Estimated Westbound Visitors	thous.	total	814.6	835.6	1,014.7	1,032.8	1,055.5	918.5	17.8	2.2
Hotel Inventory	number	February	5,313	5,656	5,922	5,956	7,180	7,251	1.0[3]	20.6
Hotel Occupancy	percent	mo. avg.	63.0	64.8	76.4	74.2	67.5	72.4	7.4	−9.0
Construction Put In Place	thous. $	total	26,753	30,219	35,959	46,450	56,811	42,842*	19.0*	22.3
Private Permits	thous. $	total	52,735	63,888	93,475	103,420	213,845	135,853	46.9	106.8
Residential Permits	thous. $	total	39,065	47,050	42,046	63,742	166,777	101,521	53.5	161.6
Non-Residential Permits	thous. $	total	13,670	16,838	51,429	39,678	47,068	34,332	30.3	18.6
Public Contracts Awarded	thous. $	total	38,068	15,346	13,065	21,383	23,761	19,879	−8.1	11.1
Real Estate Resales										
Single Family	number	total	71	90	162	184	200	190	34.8	8.7
Average Price	dollars	cum. avg.	132,857	146,375	142,371	149,587	210,761	235,385	9.2	40.9
Condominium	number	total	42	78	170	214	265	209	15.5	23.8
Average Price	dollars	cum. avg.	130,410	115,987	104,167	123,656	132,846	160,928	26.8	7.4
Sugar Production, raw sugar 96°	thous. tons	total	217	242	241	229	228	167	−8.7	−0.5
Diversified Crops and Livestock	thous. $	total	11,154	11,370	11,735	12,337	12,993	n.a.	n.a.	5.3
Diversified Crops[4]	thous. $	total	5,951	6,299	6,531	7,264	8,244	n.a.	n.a.	13.5
Livestock	thous. $	total	5,203	5,071	5,204	5,073	4,749	n.a.	n.a.	−6.4

[1] *Refers to number of jobs rather than number of persons employed. Persons with more than one job are counted more than once.*

[2] *Totals do not include real property taxes.*

[3] *Compares February, 1989 to February, 1988.*

[4] *Total crops excluding sugar.*

n.a. = not available

Figure reported is for the period Jan.-Aug.

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COUNTY PROFILES
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ECONOMIC INDICATORS

COUNTY PROFILES

HONOLULU COUNTY IN 1990

The performance of Honolulu County's economy in 1989 was virtually a mirror image of the state's economic performance. Oahu's gross business receipts increased by 15 percent to $31 billion; the visitor and construction industries led this expansion. The civilian labor force of 385,700 persons had 375,950 persons employed, leaving a 2.5-percent unemployment rate. The job count increased by 3 percent to 415,050 jobs. According to the Bureau of Economic Analysis, total personal income for the state increased by 11 percent to $20.4 billion (individual county figures are not available). Per capita personal income rose by 9 percent to $18,306.

Currently, some concerns exist about the impact that a volatile yen could have on the economy of Honolulu, as well as the entire state. A weaker yen could temper the level of future Japanese investments in Hawaii and lead to reduced retail sales to the Japanese tourists.

Notwithstanding, the performance of Honolulu's economy should be solid for 1990. Through March 1990, gross business receipts were ahead by 9 percent. The job count was ahead by 6 percent to 434,400 jobs.

VISITOR INDUSTRY

Oahu's visitor industry had a banner year in 1989. The westbound visitor count increased by 6 percent to 3.2 million visitors, reversing the 2-percent decline registered for 1988. The eastbound visitor count amounted to 1.8 million visitors. Along with the increase in the visitor counts, the hotel occupancy rates remained solid. Oahu hotels were 86 percent occupied, the highest rate in the state.

During March 1990, the industry suffered a strike by workers at 11 hotels, 8 of which are in Honolulu. Given the length of the strike (22 days) and that the affected hotels continued to operate, although with reduced services, the year-end effects of the strike are expected to be minimal on an industry-wide basis.

Nevertheless, the industry had a slow start through March, partly attributed to the effects of the strike. Oahu's first quarter westbound visitor count decreased by 5 percent to 755,370 visitors. The hotel occupancy rate decreased by 1 percentage point to 92 percent.

The Hawaii Visitors Bureau (HVB) undertook a more comprehensive visitor profile for Oahu for 1989. Of the 3.2 million westbound and 1.8 million eastbound visitors to Oahu, 50 and 71 percent, respectively, visited only Oahu. While the statewide average lengths-of-stay for the westbound and eastbound visitors were 9.9 and 6.2 days, respectively, Oahu's average stays were 7.0 and 5.4 days. According to the latest survey, the westbound and Japanese visitors spent an average of $126.57 and $588.92 per day, respectively.

For 1989, Oahu's visitor plant inventory decreased by 3 percent to 36,739 rooms. The decline was due to some condominium units being taken off the rental market or experiencing a change in ownership and not being included in the survey. However, these declines are not likely to continue.

In April 1990, Waikiki's first totally new hotel in a decade opened, the 32-story, 521-unit Hawaii Prince Hotel. The Hawaii Prince seeks a 70-percent occupancy rate for its first year, and expects to cater to the business travel market. The new hotel will also compete in the leisure market, offering vacation packages in coordination with its two sister hotels, the Maui Prince and the Big Island's Mauna Kea Beach Resort.

Honolulu's visitor industry hopes to make further inroads into the luxury resort market with the first phase development of the Ko Olina Resort on the leeward side of Oahu. The resort is 20 minutes from the Honolulu International Airport. Construction of three hotels will begin this year, namely, the Four Seasons (330 rooms), Loews (1,150 rooms) and the Pan-Pacific (382 rooms). Work on the Loews and Pan-Pacific was scheduled to start in May while construction of the Four Seasons is expected to start in November. The three hotels plan to open by the end of 1992. In addition to the hotels, the resort will feature luxury condominiums, the 331-unit Royal Ko Olina and the 226-unit Ko Olina Pointe being the first two. Also, a commercial area, a golf course and a marina are being developed in the first phase which will span 640 acres, roughly the size of Waikiki. The second phase will add another 370 acres.

At the North Shore of Oahu, the Kuilima Development Company is putting together a master plan for the 847-acre Kuilima Resort. Phase 1 of the master plan includes the construction of the luxury 383-room Kawela Bay Hotel. Construction starts this summer, and completion is set for summer 1992. Phase 1 also includes a golf course and club house, tennis club, shopping village, park and an equestrian center. Separate from Phase 1, Kuilima is in the design/planning stage to redevelop the Turtle Bay Hotel which currently has 487 rooms. Accommodations will be expanded to 1,000 rooms by constructing 4 to 5 story village style facilities in place of the existing cabanas.

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Tourism's market base would be further diversified if Honolulu had more convention business. The Honolulu City Council approved the development of a city-backed convention center on the 9.7-acre former Aloha Motors site. The state is planning the development of a convention center on 5.2 acres in Waikiki at the International Market Place. The benefit of attracting conventions is being able to create a more steady flow of visitors. It takes 3 to 5 years for conventions to be planned and the visitor industry can market the islands to fill in the soft periods.

The center at the Aloha Motors site will have a total convention facility of 555,724 square feet with the largest meeting hall being 120,000 square feet. First Development Inc. will build and operate the center at no cost to the city in exchange for building densities in excess of zoning codes. There will be a total of 1,600 hotel and condominium units with commercial, retail and office space totaling 233,875 square feet. Construction is to start in January 1991; completion is expected by the end of 1993.

The Legislature passed a bill approving the construction of a convention center at the International Market Place. The project requires a minimum of 625,000 square feet for a convention center and 200,000 square feet for an exhibit hall. The state is now in the review process with no completion date set. The private sector will build it for the state in exchange for building densities in excess of building codes.

The U.S. economy experienced a first quarter 1990 real annual growth rate marginally above the fourth quarter 1989 annual growth rate. While expectations are for continued real growth in the Japanese economy, the yen is weaker than in 1989. However, in an HVB survey conducted at the end of April, parts of the westbound visitor market are expected to be down marginally during the summer months due to concerns of a weaker economy, selection of alternate destinations and high airfares; the eastbound market is still expected to be solid. Events occurring in 1990 and during the next few years, such as the development of the Ko Olina Resort and expanding the convention business, are expected to further enhance the marketability of Honolulu's visitor industry into the 1990s. All things considered, tourism should be a bright performer in 1990.

CONSTRUCTION

The construction industry also had a banner year in 1989. Statewide, the industry had $3.2 billion worth of activity, with Oahu's share at $2.7 billion. Through March 1990, Honolulu's construction put-in-place increased by 23 percent to $728 million.

The industry's growth rate may moderate for a while. The value of private building permits for 1989 increased by 27 percent to $974 million. However, through the first quarter 1990, private permits were down by 18 percent to $184 million. The value of public contracts awarded on Oahu for 1989 increased by 27 percent to $602 million, but decreased by 46 percent to $88 million as of March 1990. Overall, the industry is expected to have a solid year, and the pace of steady construction projects should last for at least another 18 months.

Construction is proceeding at the master-planned community on the Ewa plains. The master plan includes the 935-acre City of Kapolei which will be the commercial center, Villages of Kapolei, West Loch Estates, the Ko Olina Resort, other planned communities, improvements at Barbers Point Harbor and light industrial park development. By 2010, Ewa is expected to have 119,000 to 150,000 residents; in 1988, the area had approximately 38,700 residents.

The City and County's West Loch Estates project is a planned community consisting of approximately 1,500 residential units. Other features of the community will include 38,000 square feet of commercial space, school site, a 250-unit child care facility, church and park.

The state's Housing Finance and Development Corporation (HFDC) is set to develop 6,589 units by 2000 at 11 locations on Oahu. The 5,000-unit Villages of Kapolei is the largest project. HFDC's remaining 1,589 units either planned or under construction are in other areas of Oahu.

Other residential projects are planned or under construction in the Ewa plains by private developers. At Makakilo, 3,000 homes already exist with another 2,600 units planned for construction. Ewa Marina is planned as a residential-marine community with 4,850 residential units and 1,500 visitor units. Ewa by Gentry has plans for a total of 7,150 homes, Kapolei Knolls will have 433 homes and executive style homes are planned at Makaiwa Hills.

In addition to the residential construction taking place at Ewa, Kakaako, largely an industrial area, is being redeveloped into a residential/commercial area. The One Waterfront Plaza and Towers were completed recently. Nauru Towers and the Imperial Plaza are currently under construction. Other projects include the Waterpark Tower, a mixed-use project at the former Universal Motors site and the HFDC's mixed-use family and mixed-use elderly rental projects.

Honolulu's waterfront has been recognized as a public resource. The master plan for Honolulu's new harbor will consist of developments of Piers 5 through 14 with the primary development site of 13 acres at Aloha Towers. The Aloha Tower will be completely refurbished and will include an amphitheater and water taxis at the landing. The Maritime Facilities at Piers 5 and 6 are scheduled to be built first. They will consist of 229,000 square feet of office space primarily for the Hawaii State Department of Transportation. Other developments include an Aloha Marketplace which will be a festival marketplace in concept, a Pedestrian Promenade extending from Piers 5 to 14, a 22-story Harbor Centre office complex at Pier 11, a 109-room Harbor Centre Hotel designed as a business hotel, the revitalization of Irwin Park, a Duke Kahanamoku Water Sports Center at Pier 7, a Honolulu Fort Historic Park and the 270-unit Honolulu Harborside Residential Towers. Groundbreaking is scheduled for late 1991; complete build-out will take 3 to 4 years.

Along with the growth of Oahu comes increased capacity need for infrastructure and utilities. The Honouliuli sewage treatment plant has a current capacity of 26 million gallons per day (gpd) and a second phase will bring capacity up to 42 million gpd by 1993. Phase III could bring capacity up to 50 million gpd.

Hawaii Electric Company (HECO) experienced a 3-percent sales increase in 1989 and forecasted another 2-percent increase for 1990, weather being normal. The small increase for 1990 is due to Chevron installing its own on-site generation (4 combustion turbines) at its Barbers Point refinery. The excess power produced will be sold to HECO. In addition, HECO has a power-purchase contract, with the first delivery of 80 megawatts (mw) this year and an additional 80-mw turbine and a 60-mw steam generation unit to come on-line by 1991. Net power will be 180 to 200 mw. By 1993, HECO plans to build a 180-mw coal fire plant at Barbers Point.

An efficient transportation system is vital to the growth of Honolulu. Between 1988 and 1989, an additional 12,871 vehicles were registered on Oahu. The State and Honolulu

County governments are in favor of building a fixed-rail transit system. Approximately 30 percent of the cost will be provided by the federal government if a source of funding the remaining cost is guaranteed by the local government.

Plans for a mass-transit system have progressed farther than ever before because of the combined support of the State and City & County. However, some community opposition exists to building such a system due to the possibility that the cost of the transit system exceeds the benefits; ridership expectations may be overestimated and that a transit system may not necessarily lessen vehicular traffic in Honolulu. On the other hand, given population increases, a mass-transit system may be an efficient solution.

MILITARY

The military continues to be a steady contributor to Honolulu's economy. As of September, there were 56,228 active duty personnel, 26,793 civilian personnel and 61,136 military dependents. Through third quarter 1989, direct spending amounted to $1.6 billion statewide, with approximately 98 percent being spent on Oahu. Military related expenditures are expected to increase by 3 percent. The Pearl Harbor Naval Shipyard continues to be the state's largest industrial employer of civilians. It has 6,098 employees and expenditures of $285 million.

Considering current budgetary conditions, a major increase of active duty military personnel is not expected. However, all military bases, with the exception of Kapalama, are expected to continue to operate.

AGRICULTURE

Agriculture, overall, had another mixed year on Oahu for 1989. Business receipts for diversified agriculture increased by 4 percent to $154 million. The job count in diversified agriculture increased by 3 percent to 650 jobs.

The sugar industry on Oahu had a good year in 1989. While statewide sugar production declined by 7 percent, production on Oahu increased by 4 percent, the only island experiencing an increase.

At Oahu Sugar Co., production increased by 3 percent to 86,059 tons for 1989. Its yield increased from 13.42 tons sugar per acre (TSA) in 1988 to 13.97 TSA in 1989. For 1990, production is expected to decrease to 78,000 tons. At Oahu Sugar, the island's housing needs are competing against sugar cultivation for use of the land. Total acreage amounted to 13,486 acres in 1988, but dropped to 11,686 acres for 1990. By 1994, total acreage will amount to 9,858 acres. These decreases are due to the urbanization of sugar lands. However, Oahu Sugar cannot operate cost-effectively with less than 8,000 acres.

At Waialua Sugar Co., production increased by 6 percent to 60,025 tons of sugar in 1989. The increase was due to an additional 500 acres of sugar being harvested. Yield increased from 11.4 to 11.7 TSA. Waialua expects production of 67,000 tons and a yield of 12.6 TSA for 1990. While the yield at Waialua has been poor, the plantation expects yield to return to the 13.5 to 14 TSA range within a few years. Unlike Oahu Sugar, total sugar acreage will increase from 11,802 acres in 1988 to 12,108 acres for 1991.

Statewide pineapple production decreased by 12 percent to 580,000 tons in 1989 (Oahu figures not available). Cannery and field jobs on Oahu decreased by 14 percent to 1,900 jobs. Dole expects overall production to dip a little for 1990, a reflection of market demand. Demand for fresh fruits and processed fruits are flat. Competition is increasing from Mexico, and grocers prefer fresh to processed fruits.

HIGH TECHNOLOGY

The island's fledgling high technology manufacturing sector is maturing fast. At the Mililani Technology Park, Castle & Cooke is applying for an IMX (Industrial Mixed Use) zoning. Unlike hi-tech parks on the mainland, Mililani's current zoning allows for a 65/35 percent mix between high-tech enterprises and high-tech support enterprises, respectively. By allowing other environmentally clean businesses to locate there, the Park's business and marketability will increase. Currently, the Park has 300 employees; at maturity the Park will have 9,000 employees.

Phase I of the Park is slated for development. So far, a 2-lane avenue has been completed. The 25,000 square-foot Leilehua Building was dedicated and expansion is planned for 1991. The VeriFone Building was dedicated, and its expansion is also planned.

FINANCE AND REAL ESTATE

Total bank deposits increased by 10 percent to $8.7 billion in 1989. Through the first quarter, bank deposits were ahead by 20 percent to $9.7 billion. The banking industry underwent rapid changes last year and will again this year. In 1989, the Bank of Maui became a branch of the EastWest Bank. The 50th State Bank applied for a state bank charter and was raising capital. In November 1989, Hawaii's largest bank holding company, Bancorp Hawaii Inc., announced acquisition plans for First Federal Savings and Loan. In February 1990, Hawaii's second largest bank holding company, First Hawaiian Inc., announced planned acquisition of First Interstate Hawaii Inc. Both acquisitions are pending.

In April 1990, a task force of bankers was formed to establish a Hawaii Community Reinvestment Corp. to provide low cost financing to developers for housing construction. A $50-million fund was suggested. Loan rates are expected at 1 to 1.5 percent below the current market rate.

The real estate market experienced increased activity for 1989. Single-family home and condominium unit sales increased by 3 and 5 percent, respectively, to 2,652 and 5,813 units sold. The condominium market was expected to peak last year while the single-family market peaked during 1987/88. Last year, the average prices of single-family homes and condominium units increased by 19 and 22 percent, respectively, to $376,710 and $167,129.

Some of the more active areas on Oahu for single-family resales were the Mililani/Waipio area where total sales rose from $92 million in 1988 to $130 million in 1989 and Makakilo where the volume of single-family resales increased by 69 percent to $27 million. The more active areas for condominium resales were Pearlridge with $99 million in sales, Mililani/Waipio with $75 million in sales and Kaneohe with $49 million in sales.

Real estate resales were on an upswing through March 1990. The number of single-family homes and condominium units sold increased by 22 and 18 percent, respectively, to 624 and 1,439 units. The average prices of a single-family home and condominium unit were $472,317 and $200,518, respectively, reflecting 41 and 35 percent increases.

Considering the volume of single-family and multi-family residential units under construction or being planned, tight market pressures should moderate in the coming years. This is good news to a market where some residents are frozen out of homes due to a lack of inventory and due to unaffordable prices.

RETAIL TRADE

Oahu's retailers experienced robust sales growth due to a strong economy and an expanding visitor industry.

Gross business receipts increased by 10 percent to $10 billion in 1989. The retail job count on Oahu increased by 3 percent to 83,350 jobs.

Ala Moana Shopping Center experienced a 13-percent sales increase in 1989. Much of the gain was due to Japanese visitors, who made a large share of the purchases. For 1990, sales are forecasted to increase by 20 percent.

Ala Moana is adding another fashion dimension with Palm Boulevard, a 117,000-square foot collection of designer and specialty shops. Construction is scheduled to be completed by July 1990. By presenting upscale retailers, Ala Moana hopes to capture the sales that normally would go to catalog orders. The third level of Ala Moana is under construction, and it will add 50,000 square feet of retail space.

At Pearlridge Center, sales increased by 15 percent for 1989 and management has forecasted an increase of another 15 percent for 1990. The big news for 1990 will be the opening of a free-standing Toys R Us shop. This 45,000 square foot store is currently under construction and is expected to be completed by Christmas.

At the Royal Hawaiian Shopping Center, 1989 sales were ahead by 20 percent. Sales for 1990 may be affected due to the 22-day hotel workers strike when pickets were formed around the Center. Overall, the restaurants are doing well. Of all the shopping centers on Oahu, the Royal Hawaiian may be most affected by a weak yen; its location in Waikiki naturally leads to a relatively larger visitor customer base.

CONCLUSION

Honolulu's economic outlook for 1990 calls for continued growth. In spite of tourism's slow start, both tourism and construction are expected to lead the expansion. The military is expected to have a solid year while agriculture may again be mixed.

The Research Department forecasted last year that Hawaii's real 1990 Gross State Product would increase by 4 percent, a more moderate expansion rate than the 6 percent rate of 1989. Considering that Honolulu County generates approximately 80 percent of the state's economic activity, Honolulu in 1990 should likewise expand at a more moderate rate.

Honolulu County Statistics

	Unit	Period	1985	1986	1987	1988	1989	Jan.-Mar. 1990	% change Jan.-Mar. 1989/1990	% change Annual 1988/1989
Population, Resident	number	July 1	809,900	819,100	829,000	838,500	841,600	n.a.	n.a.	0.4
Civilian Labor Force	number	mo. avg.	366,500	368,700	382,300	382,600	385,700p	390,100p	2.8	0.8
Employment	number	mo. avg.	348,050	352,500	368,700	372,000	375,950p	379,200p	3.1	1.1
Unemployment	number	mo. avg.	18,450	16,200	13,600	10,600	9,750p	10,900p	−4.4	−8.0
Unemployment Rate	percent	mo. avg.	5.0	4.4	3.6	2.8	2.4p	2.8p	16.7	−13.8
Total Job Count[1]	number	mo. avg.	369,800	379,800	391,800	404,050	415,050p	434,400p	6.4	2.7
Gross Business Receipts	mil. $	total	20,742	22,111	23,618	26,875	30,853	8,775	9.3	14.8
State Tax Collections[2]	mil. $	total	1,283	1,422	1,654	1,832	2,112	561	10.3	15.3
Visitor Expenditures	mil. $	total	3,085	3,444	4,370	6,553	7,078	n.a.	n.a.	8.0
Estimated Westbound Visitors	thous.	total	2,828.6	3,146.0	3,078.5	3,013.9	3,205.8	755.4	−5.1	6.4
Hotel Inventory	number	February	38,600	39,010	38,185	37,841	36,467	n.a.	n.a.	−3.6
Hotel Occupancy	percent	mo. avg.	81.5	85.2	86.8	85.4	86.4	91.1	−1.9	1.2
Construction Put In Place	mil. $	total	1,245	1,586	1,730	2,164	2,741	726	22.9	26.1
Private Permits	thous. $	total	514,831	533,518	754,043	765,234	973,655	184,186	−18.1	27.2
Residential Permits	thous. $	total	289,508	332,934	390,505	429,367	514,046	107,223	−9.4	19.7
Non-Residential Permits	thous. $	total	225,323	200,584	363,538	335,867	459,609	76,963	−27.7	36.8
Public Contracts Awarded	thous. $	total	177,243	312,404	292,689	474,879	601,863	88,266	−45.7	26.7
Real Estate Resales										
Single Family	number	total	2,072	2,498	2,773	2,567	2,652	624	21.6	3.3
Average Price	dollars	cum. avg.	188,016	212,140	278,296	316,957	376,710	472,317	40.8	18.9
Condominium	number	total	2,738	3,408	4,721	5,538	5,813	1,439	18.1	5.0
Average Price	dollars	cum. avg.	99,597	107,857	126,358	137,449	167,129	200,518	35.1	21.6
Sugar Production, raw sugar 96	tons	total	161,236	169,357	159,309	140,551	146,084	2,518	−53.6	3.9
Pineapple Sales, Fresh Equivalent	thous. $	total	54,150	54,180	52,920	68,261	n.a.	n.a.	n.a.	n.a.
Diversified Crops and Livestock	thous. $	total	70,830	74,300	78,318	76,447	n.a.	n.a.	n.a.	n.a.
Diversified Crops[3]	thous. $	total	27,415	29,857	32,664	30,762	n.a.	n.a.	n.a.	n.a.
Livestock	thous. $	total	43,415	44,443	45,654	45,685	n.a.	n.a.	n.a.	n.a.

[1]Refers to number of jobs rather than number of persons employed. Persons with more than one job are counted more than once.

[2]Totals do not include real property taxes.

[3]Total crops excluding sugar and pineapple.

n.a. = not available.

p = preliminary.

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ECONOMIC INDICATORS

COUNTY PROFILES

MAUI COUNTY IN 1990

The Maui County economic expansion is expected to continue in 1990. However, the pace of economic activity will likely be a little slower than last year. The Maui visitor industry is off somewhat due to a drop in the number of westbound visitors. Maui's eastbound market is still relatively small; it is the higher-spending Japanese visitor that is fueling the overall state visitor industry to another successful year.

The leading sectors of the economy will differ from last year. The visitor industry will be in transition, while marketing efforts for the industry catch up with the increased visitor unit inventory. Construction will remain a leading sector. In the past, commercial developments were a major source of industry growth, however, more infrastructure and residential construction will be emphasized in the years to come. In agriculture, while sugar and pineapple are restructuring, diversified agriculture is experiencing gains. Also, the County's research and development industry is finally establishing itself.

This year may be the start of a period of consolidation for Maui County. Infrastructure developments must catch up with the increased urbanization and population growth that have occurred over the past several years; sewage, road and water transmission have become inadequate. These conditions have created roadblocks to future development. In real estate, Maui has the tightest condominium and the second tightest single-family home markets in the state. The persistent labor shortage is a common complaint among employers; the agricultural sector and smaller businesses especially are being affected. There are some concerns that the quality of life on Maui has eroded in the face of rapid development during the 1980s and that a rural and slower paced life-style should be preserved.

Maui County revenues are expected to increase by 20 percent to $172 million for the 1990/91 fiscal year. Real property tax revenues are expected to increase by 23 percent to $59 million. Spending these revenues yields the largest proposed budget in Maui's history.

VISITOR INDUSTRY

Tourism is expected to be somewhat softer this year. The westbound visitor count through May 1990 decreased by 9 percent to 809,700 visitors. The impact of the weaker westbound market could be mitigated by growth of the higher spending Japanese visitors, even though Japanese expenditures may have been affected by the weaker yen/dollar-exchange rate.

From February through May, 105,970 eastbound visitors came to Maui, leaving the County with a larger eastbound market than the Big Island or Kauai, but still a distant second to Oahu. (Starting in February, monthly eastbound visitor figures by county were available.) The authorization that effective October 1, 1990, Japan Air Lines can fly to the Kahului Airport after a stopover at Honolulu could help Japanese visitor market growth. However, without an international terminal at Kahului, deplaning foreign visitors must still be processed at Honolulu.

Through May, Maui Island's hotel occupancy rate was down marginally to 73 percent. There were 16,028 visitor accommodation units in Maui County, as of February 1989, and approximately another 2,000 units will enter the market this year and next. Given current visitor count trends, further occupancy rate declines are expected with the additional visitor units.

Visitor market conditions have brought about more competitive room rates in Maui. While the statewide average daily room rate through May 1990 increased to $107.48 per day from last year's $101.06 per day, Maui Island's average rate decreased from $143.02 to $141.09 per day. Maui's average rate was still the highest in the state.

The weaker westbound visitor count is only one variable impacting negatively on tourism; the average visitor length of stay is also decreasing. There appears to be a trend that vacationers would rather take shorter, but different vacations instead of a longer single vacation.

Much of the County's visitor plant development is taking place at the Wailea Resort. Two hotels recently opened, the 72-unit Diamond Resort and the 374-unit Four Seasons Resort Wailea. The Diamond Resort is an exclusive membership hotel, but the restaurant and bar are opened to the public. In addition to these hotels, the 812-unit Grand Hyatt Wailea Resort and Spa is scheduled for completion by early 1991, and a 450-unit, all-suite hotel by Landmark Suites of America should be completed by year-end 1991.

Wailea Resort also has other major construction projects. By year-end 1990, the Maui Inter-Continental Wailea Hotel and the Stouffer Wailea Resort will have undergone renovations. This year, development starts on a third golf course (Gold Course), to be done in phases in coordination with restoring the Orange Course. A clubhouse to serve both courses will be constructed. Of Wailea's residential projects, the 188-unit Grand Champion Golf & Tennis Villas have been completed with all units sold. The 48-unit Golf Vistas is scheduled to start this year. Phase 1 of the Palms at Wailea should be completed by

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year-end and Phase 2 is expected to start next year.

At the Kapalua Land Company, the Plantation's third course has been under construction since the end of 1989; play may start by year's end. Also, during the later half of 1990, construction starts on the 550-room Ritz-Carlton Kapalua Hotel. Completion will be in 2 years.

On Lanai, Oceanic Properties Inc.'s 102-room Koele Lodge opened to the public early this year. The second hotel, the 250-room Manele Bay Hotel, is under construction and should open during the first quarter of 1991. The hotels plan to have a total of 750 employees.

The Maui Tropical Plantation experienced a dip in visitor count through April, due mainly to the softness in the visitor industry. The Plantation is in a rezoning process to increase the commercial portion of their 112-acre operation from 9.5 to 14 acres. This will allow the plantation to create attractions to draw repeat visitors.

To help promote tourism on Maui, the Maui Visitors Bureau (MVB) is doing its own telemarketing, has done TV advertisements with United Airlines and has advertised in mainland newspapers and magazines. MVB was able to attract the Western States Republican Convention and the Young Presidents of America conventions for 1991 and 1992, respectively.

In addition to these developments, the Kahului Airport is being upgraded. The $42-million first phase is expected to be completed this year. Construction includes a ticketing building, a central building for offices and concessions and a holding area. The $65-million phase 2 is scheduled to start next year and build-out will take 18 months. This phase will consist of converting the existing terminal building into a baggage claim building and constructing another holding area. In addition to these projects a new airport access road is to be constructed.

CONSTRUCTION

The construction industry is experiencing robust growth. Construction put-in-place rose by 46 percent to $99 million through May; the growth rate of the same period 1989 was 19 percent. Construction activity on Maui may level-off momentarily. Private permits authorized through May, an indicator of future private construction, decreased by 19 percent to $117 million. However, public contracts awarded through May were ahead by 35 percent to $36 million. In spite of a possible momentary levelling-off, the outlook for the industry is solid.

Residential construction. The state Housing Finance Development Corporation (HFDC) is developing the 3,663-unit Lahaina Planned Community. Village 1 model homes are scheduled for completion by October 1990, first phase construction is to start mid-1991 and be completed by January 1992, and complete build-out of the village (283 homes) is expected by mid-1992. Planning for Village 2 (261 homes) is underway; complete build-out of that village is planned for 1993. The construction of the rest of the planned-community is dependent on market conditions.

There are other HFDC projects on Maui. The Honokowai multi-family rental is scheduled for completion by year-end. Also, the Waiehu Terrace project will feature various housing developments: a 14 lot self-help housing project, a 232-unit Increment B (construction starts late summer 1990), a 250-unit Increment C (in planning stage), a 21-unit Waiehu Handicapped Rental (dedicated March 1990), a 42-unit Waiehu Elderly Rental (ground-breaking September/October 1990), and a 60-unit Waiehu Family Rental (in the planning stage).

The County expects to have completed Komo Hana Hale (42 single-family units, 20 one-bedroom apartments) in Lahaina by year-end 1990. On West Molokai, the County is planning to start site work this year on a project at Maunaloa; construction will take 2 years. Also, feasibility studies will be done on 5 projects totaling over 600 units.

In the private sector, construction and sales of the 100-lot first phase of Baldwin-Pacific's 785-unit Piilani Village at Kihei is expected to start the fourth quarter of 1990. Completion of the village is expected to take 4 years.

The first phase of Horita-Maui Inc.'s 500-unit Ka Ono Ulu Estates is under construction. Initial delivery is expected for first quarter of 1991; completion is scheduled for 1993.

Plans are underway for the 3,200-unit Maui Lani planned community. Ground breaking is expected during 1991, with first occupancy scheduled for the later half of 1992. This 10-year project is planned to be completed at an initial rate of 500-600 units per year. Most of the units will be single-family detached homes. Other construction includes commercial space, schools and a golf course.

In addition to these projects, Japanese investor Gensiro Kawamoto is proposing a 1,050-unit project in Kihei covering 148 acres. C. Brewer & Co. is proposing a 547-acre Wailuku project consisting of 2,400 housing units and public and commercial facilities.

At Pukalani, Aina Lani Associates is constructing the 24-lot Hoolako subdivision, plans to start constructing the 94-lot Kua-Aina by late 1990 and is proposing the Hanohano subdivision (165 house and lot packages). At Paia, Alexander & Baldwin (A&B) is requesting that 70 acres be rezoned urban. Haiku Hill (37-lot subdivision) will be out to bid shortly.

Commercial construction. Construction of A&B's Airport Triangle in Kahului is expected to start this year, with first occupancy expected in mid-1991. Also, an industrial/commercial complex is planned for the former 24-acre Maui Fairgrounds, with 3.5 acres devoted to an apartment complex. Completion is expected for mid-1991. A&B is planning a 76-acre industrial subdivision between Dairy Road and the new bypass, pending land rezoning.

Infrastructure. Infrastructure bottlenecks may limit construction. For example, more visitor plant developments at Lahaina and Kihei other than those already approved may not be appropriate given housing, traffic, water-transmission and sewage-treatment conditions. Regarding water, the County Council must allocate the remaining sustainable yield of the central aquifer among future developments. Water concerns relate to drilling and transmitting the water rather than the supply; water is available in other parts of the island. The island has a sustainable yield of 400 million gallons per day (mgd) from ground-water sources and agriculture draws 300 mgd from streams.

Projects to overcome water inadequacy are being investigated. The state is responsible for installing wells for its Lahaina project. The East Water Joint Venture is studying the drilling of wells in East Maui with transmission of water to Central Maui. Capacity of the Piihalo reservoir at Lower Kula will be increased from 47 million to 97 million gallons. The County is discussing the acquisition of two unused wells at North Waihee from C. Brewer.

Sewage disposal is another bottleneck impeding further development, and solutions are being sought. The Kihei sewage treatment plant capacity will be increased from 4 to 6 mgd; the project was started in fall 1989 and will be completed by spring 1991. The Kahului treatment plant is to be updated for increased reliability and capacity may also be expanded from 6 to 6.8 mgd. Expansion of the Lahaina plant is being looked into. Also, a super sewage

treatment plant which may be located at Puunene to serve Wailuku-Kahului-Kihei is being studied. The developers of Maui Lani are building a temporary facility for the residential project.

Roads have become increasingly congested as a result of Maui's construction boom of the 1980s. The State Department of Transportation is attempting to solve traffic problems. For example, ground was recently broken for construction of a fourth lane for Hana Highway between the Dairy Road and Haleakala Highway intersections, which would improve traffic conditions around the airport. Construction should be completed by 1991. Construction should start next year on a new $32.5 million airport access road. The Kuihelani Highway will be extended, creating an overpass and Maui's first "clover leaf" style exchange at Hana Highway and on to the airport.

Construction of a third lane for Haleakala Highway is expected to start in September/October 1990, with 10 months to completion. This lane will be used for contraflow traffic during morning peak hours. Next year, construction is expected to start on the Pukalani bypass road.

An environmental impact statement is being completed on a proposed Lahaina bypass highway from Puamana to Honokawai. Of the three possible routes for this bypass, the Ikena Street route is preferred by the state Department of Transportation.

Utilities. One result of residential and commercial developments and a growing population base is the need for increased electricity generation. Last year, electric sales on Maui Island by Maui Electric Company (MECO) increased by 4 percent, and this year sales are expected to increase by another 4 percent. For 1991, MECO is forecasting a 9-percent increase in sales. By 1993, MECO will increase its generation capacity by 56 megawatts.

AGRICULTURE

The overall agricultural picture is mixed, but diversified agriculture is making solid gains. There was an industry-wide average of 3,700 jobs through May; last year the industry averaged 3,850 jobs. As with previous years, the County's competitive labor market especially affects agriculture. Some of the larger employers must provide housing as more nonresident labor is used.

Sugar. The sugar industry ended 1989 with a 7-percent decrease in production. The decline was attributed to Pioneer Mill where cane harvested was not fully matured; HC&S experienced a marginal increase. For 1990, the industry production again will be mixed. At HC&S, production is forecasted to be down marginally; planting was late two years ago, leaving a younger crop to harvest this year. At Pioneer Mill, both production and yield (tons of sugar per acre) are expected to increase by 4 percent.

The Farm Bill, which includes the sugar price support program, was up for review this year by Congress. Prospects look good that the current sugar price support level at 18 cents a pound would be maintained.

Pineapple. Overall, the pineapple industry has had to deal with much competition from Thailand in the processed market. In addition, the industry is dealing with a constant change in pesticide use, that is, using pesticides that are both effective and approved. As with sugar, the labor shortage is negatively affecting most of the producers.

Wailuku Agribusiness hired 70 school-aged students last year, but could hire only 10 this year. In order to overcome the labor shortage, Wailuku has used Mexican labor since last November and now has over 55 Mexican workers. A field office was converted into a dormitory to house the workers.

Maui Land & Pineapple (ML&P) is adding to its labor force workers from Mexico and students from Utah, and perhaps workers from the Philippines in the future. Lack of sufficient sunshine affected production by lowering quality. ML&P's fresh pineapple program is doing well.

On Lanai, Dole is reducing production due to competitive market conditions; virtually all of its production goes to the processed market. In spite of a general labor shortage, Dole will be able to outfit its harvesting operation with Lanai residents this year. By next spring, however, Dole may have to use out-of-state labor.

Diversified agriculture. Diversified agriculture is having a relatively good year. In up-country Maui, the number of farmers and their production are stable. However, the tomato and leafy vegetable crops are somewhat affected by the spotted wilt disease. In addition, Tedeschi Vineyards will have a record year in grape production. Production of Maui Blanc and Maui Blush are higher this year.

On Molokai, Coffees of Hawaii is working on their first 400 acres of coffee plantings. Truck farmers are having a good year with favorable seed corn and watermelon production. Molokai Ranch is increasing its cattle herd from 1,000 heads last year to 6,000 heads this year. Weather permitting, the cattle herd will increase to the 9,000 to 10,500 head range by 1991. Molokai Ranch is also expanding its agriculture lease area.

On Lanai, Lanai Diversified Services, Inc. (Lanai Ranch) is making a concerted effort to put agricultural land back into production. Its goals are to increase the island's self sufficiency, to provide the hotels with Lanai raised crops and to find commercially viable crops. One of Lanai Ranch's growing operations is the oat hay crop; acreage increased from 200 acres to 496 acres over the past year.

RETAILING

Retailing on Maui is mixed for 1990. Gross business receipts for retailing were ahead by 12 percent through May. However, some merchants catering mainly to tourists are feeling the effects of a weaker visitor industry.

Kaahumanu Center experienced a substantial increase in sales last year and again so far this year; Kaahumanu's primary customer base is the resident market. At the Maui Mall, sales increases are ahead of last year's pace.

The 150,000 square-foot Lahaina Center is the newest shopping center and the largest visitor center on Maui. The center opened late last year and lease response has been excellent. The anchor tenants are Hilo Hatties, Hard Rock Cafe, ABC Stores and Splash Swimwear.

REAL ESTATE

Real estate transactions on Maui are robust. Through May, the number of existing single-family units sold increased by 22 percent to 231 units; the average resale price increased by 63 percent to $413,854. The condominium market was also very active. Total existing units sold increased by 15 percent to 555 units, and prices rose by 28 percent to $263,492.

Maui County passed a tax-deferred resident property tax relief plan. Property taxes are to be rolled back to the 1986/87 fiscal year level plus 3 percent. The difference between the proposed tax and the tax based on current assessed values will be deferred until the property is sold. The deferment is maintained for intergenerational transfers, i.e. inheritances, of property.

The Wailuku-Main Street Association (WMSA) is fostering the revitalization of downtown Wailuku. Last year, private investment amounted to $26 million. Accomplishments for 1989 included 76 net business gains, 18 existing

business relocations to the area and a 198 net job increase. WMSA is also helping residents of Molokai and Paia establish similar associations.

RESEARCH & DEVELOPMENT

Ground recently was broken at the Maui Research and Technology Park; work is scheduled to start on the first 8 lots this year. A special project district ordinance will cover the 330-acre park; half of the park will be for high-tech uses with the remainder for office and amenities such as banks and restaurants. Construction of a high-tech building and two general office buildings are currently planned.

Construction was scheduled to start on a 40,000-square foot Maui Research and Technology Center. Twenty percent of the space is reserved for the University of Hawaii to conduct research, while the rest will be used for a telecommunications center and as an incubator for start-up companies.

Moving on to current research projects, a 20-kilowatt grid was installed at the Kihei Antenna Farm and solar application is being tested. Also, the University of Hawaii's Institute of Astronomy is involved in a joint program with Japan's SOLAR-A space mission. The Mees Solar Observatory on Haleakala will do ground-based observations of satellites sent into space by Japan to study solar flares. This program will last for 2 years.

Rockwell International submitted the low bid, replacing Avco Research Laboratory TEXTRON as the civilian contractor for the Maui Satellite Tracking Site on Haleakala beginning later this year. Rockwell will continue the operation of MOTIF (Maui Optical Tracking and Identification Facility) and AMOS (Air Force Maui Optical Station).

CONCLUSION

Aside from a weaker visitor market, the Maui County economy is expected to experience another year of growth. The construction industry is expected to be busy, as more public and residential construction displaces commercial and visitor-related projects. Agriculture, overall, is mixed, but diversified agriculture is making gains.

Rapid expansion has created challenges for Maui, but this kind of growth is more pleasant than the stagnant economic conditions now afflicting many regions of the mainland U.S. For 1990, Maui's growth will be more moderate, a condition perhaps welcomed by many as the County enters a period of consolidation.

Maui County Statistics

	Unit	Period	1985	1986	1987	1988	1989	Jan.-May 1990	% change Jan.-May 1989/1990	% change Annual 1988/1989
Population, Resident	number	July 1	85,300	87,000	90,300	93,000	97,200	NA	NA	NA
Civilian Labor Force	number	mo. avg.	46,950	48,600	51,600	53,750	55,000	54,900	−0.1	2.3
Employment	number	mo. avg.	44,150	46,050	49,400	52,000	53,550	53,300	−0.1	3.0
Unemployment	number	mo. avg.	2,800	2,550	2,250	1,750	1,450	1,500	−6.3	−17.1
Unemployment Rate	percent	mo. avg.	5.9	5.3	4.4	3.3	2.6	2.7	−5.5	−19.8
Total Job Count[1]	number	mo. avg.	41,100	42,550	45,150	47,500	51,200	51,850	2.5	7.8
Gross Business Receipts	mil. $	total	1,694.7	1,842.6	1,816.3	2,100.1	2,143.0	1,040.8	17.6	2.0
State Tax Collections[2]	thous. $	total	82,941	101,409	117,917	127,966	147,853	59,890	−14.6	15.5
Visitor Expenditures[3]	mil. $	total	1,105.7	1,195.5	1,267.7	1,471.0	2,313.9	NA	NA	57.3
Estimated Westbound Visitors	thous.	total	1,831.1	2,001.9	1,908.8	1,884.1	2,113.1	809.7	−8.9	12.2
Hotel Inventory	number	February	14,152	14,096	13,849	15,168	16,028	NA	NA	5.7[4]
Hotel Occupancy[5]	percent	mo. avg.	78.5	81.5	76.2	73.4	69.2	73.0	−1.0	−5.7
Construction Put In Place	thous. $	total	73,527	92,586	100,731	145,706	190,407	99,291	46.4	30.7
Private Permits	thous. $	total	178,633	153,047	163,788	408,508	317,902	117,441	−19.1	−22.2
Residential Permits	thous. $	total	145,915	104,749	106,743	175,650	210,377	90,554	−17.5	19.8
Non-Residential Permits	thous. $	total	32,718	48,298	57,045	232,858	107,525	26,777	−24.2	−53.8
Public Contracts Awarded	thous. $	total	37,766	58,738	25,454	96,748	63,297	35,502	35.1	−34.6
Real Estate Resales										
Single Family	number	total	259	386	435	501	509	231	21.6	1.6
Average Price	dollars	cum. avg.	151,865	176,211	191,260	244,589	299,048	413,854	62.9	22.3
Condominium	number	total	424	669	848	1,064	1,131	555	14.9	6.3
Average Price	dollars	cum. avg.	123,471	142,532	145,580	175,913	202,894	263,492	28.3	15.3
Sugar Production, raw sugar 96°	thous. tons	total	290	303	300	293	272	74.4	7.2	−7.1
Pineapple Sales, Fresh Equivalent	thous. $	total	36,380	45,540	46,366	39,141	32,863	NA	NA	−16.0
Diversified Crops and Livestock	thous. $	total	31,719	31,358	33,451	32,600	33,282	NA	NA	2.1
Diversified Crops[6]	thous. $	total	19,504	19,607	22,860	23,437	25,024	NA	NA	6.8
Livestock	thous. $	total	12,215	11,751	10,591	9,163	8,258	NA	NA	−9.9

[1] *Refers to number of jobs rather than number of persons employed. Persons with more than one job are counted more than once.*
[2] *Totals do not include real property taxes.*
[3] *Includes eastbound visitor expenditures since 1989.*
[4] *Compares February, 1989 to February, 1988.*
[5] *For Maui Island only.*
[6] *Total crops excluding sugar and pineapple.*
NA = not available

RESEARCH DEPARTMENT
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